

Message Text

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ACTION EUR-25

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FM USMISSION EC BRUSSELS

TO AEC GERMANTOWN 1193

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AMEMBASSY BONN

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AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION IAEA VIENNA

C O N F I D E N T I A L EC BRUSSELS 3914

AEC PASS C.LARSON, OCM; J.CONNOR, PA; A. FRIEDMAN; DIP

E.O. 11652: GDS

TAGS: TECH, EEC

SUBJECT: ENRICHED URANIUM

REF: EC BRUSSELS 3697

1. PRIOR TO MAY 30, 1974, THE AEC BRUSSELS OFFICE HAD THROUGH DIRECT CONTACTS WITH EUROPEAN UTILITIES AND SEPARATELY FROM THE EURATOM SUPPLY AGENCY REASONABLY FIRM INDICATIONS OF THE USAEC SIGNING CONTRACTS FOR ENRICHMENT SERVICES FOR THREE GERMAN REACTORS, THREE SWEDISH REACTORS, AND ONE ITALIAN REACTOR. THIS PICTURE HAS BEEN DRAMATICALLY CHANGING ON A DAILY BASIS SINCE MAY 30, AND STILL MAY NOT BE COMPLETELY FIRM, BUT AS OF THIS DATE THE FOLLOWING FORMAL REQUESTS FOR PREPARATION OF CONTRACTS FOR SIGNATURE BEFORE JUNE 30, 1974 HAVE BEEN RECEIVED:

6 GERMAN REACTORS FIRM AND 4 MORE POSSIBLE

3 SWEDISH REACTORS

2 ITALIAN REACTORS

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4 BRITISH REACTORS

6 FRENCH REACTORS (RELOAD ORDERS) AND 2 MORE POSSIBLE (RELOAD ORDERS)

2. WE HAVE CABLED THE INFORMATION NECESSARY TO COMPLETE ENRICHMENT SERVICE CONTRACTS TO AEC HEADQUARTERS IMMEDIATELY UPON ITS RECEIPT IN BRUSSELS AND HAVE INFORMED EACH CUSTOMER THE FINAL CONTRACTS WOULD BE OBTAINED FOR REVIEW AND SIGNATURE AS SOON AS POSSIBLE.

3. IN ADDITION TO THE ABOVE FORMAL REQUESTS TO AEC/BRUSSELS, WE ARE AWARE OF THE DISCUSSIONS BY SPAIN DIRECTLY WITH AEC HEADQUARTERS FOR ENRICHMENT SERVICES INVOLVING 5 TO 7 REACTORS AND WITH GREECE FOR ONE REACTOR. ALSO THE DM 200 MILLION PURCHASE OF NUCLEAR POWER FUEL UNDER THE GERMAN OFFSET AGREEMENT IS STILL PENDING. IN REGARD TO THIS LATTER ITEM, PROFESSOR MANDEL OF RWE, IN DISCUSSIONS EARLIER THIS WEEK, STATED THE DM 200 MILLION UNDER THE OFFSET WAS FOR ENRICHMENT SERVICE, NATURAL URANIUM AND CONVERSION SERVICE INSTEAD OF THE ENTIRE DM 200 MILLION BEING JUST FOR ENRICHING SERVICES AS WE HAVE SEEN IN PRESS REPORTS.

4. WHILE WE ARE STILL AT A LOSS TO EXPLAIN COMPLETELY THE SUDDEN RUSH TO SIGN ENRICHMENT SERVICE CONTRACTS WITH THE USAEC, SOME BACKGROUND INFORMATION POSSIBLY AFFECTING THE URANIUM ENRICHMENT DEMAND WE ARE SEEING IS PROVIDED BELOW.

5. IN A DISCUSSION ON JUNE 4, 1974 WITH PROFESSOR HEINRICH MANDEL, SENIOR OFFICIAL IN LARGEST GERMAN UTILITY RWE, AEC BRUSSELS WAS INFORMED THAT THE URENCO ENRICHMENT CAPACITY WOULD BE ONLY 2000 TONS BY 1982. THE PROJECTIONS WE HAVE SEEN TO DATE INDICATED URENCON CAPACITY WOULD BE 2000 TONS IN 1980 AND 10,000 TONS IN 1985. MANDEL STATED THAT UTILITY SUPPORT FOR URENCO HAD BEEN PROVIDED THROUGH ONLY 1982 IN LIGHT OF THE UNCERTAINTY WHETHER COUNTRIES HAVING MAJOR URANIUM RESERVES (CANADA, SOUTH AFRICA, USA, AUSTRALIA) WILL OVER THE LONG TERM CONTINUE TO SELL URANIUM ON THE WORLD MARKET OR LIMIT SALES TO PRODUCT ONLY IN ENRICHED FORM. A SPECIFIC QUESTION WAS RAISED BY MANDEL WHETHER THE USA WILL EMBARGO EXPORT OF NATURAL URANIUM FOR ENRICHMENT IN A FOREIGN PLANT. (THE SAME QUESTION WAS RAISED BY EC COMMISSION'S

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DIRECTOR GENERAL FOR ENERGY IN THE US/EC SEMI-ANNUAL CONSULTATIONS. SEE SEPTEL.) COMMENT: CONTRACTING WITH THE USAEC FOR ENRICHMENT SERVICE DOES NOT SOLVE THE NATURAL URANIUM SUPPLY QUESTION BUT MAY LIMIT OR DEFER THE UTILITY FINANCIAL COMMITMENT FOR WHAT AMOUNTS TO CAPITAL INVESTMENT FOR URENCO UNTIL THE NATURAL URANIUM SUPPLY SITUATION IS CLARIFIED.

6. THIS APPARENT SLOW DOWN IN SUPPORT FOR URENCON MAY HELP

EXPLAIN THE SUDDEN INCREASE IN REQUESTS FOR USAEC CONTRACTS FOR ENRICHING SERVICE BY GERMAN UTILITIES. IT MAY ALSO BE THE REASON FOR THE UK REQUEST FOR AN ENRICHMENT CONTRACT WITH THE AEC EVEN BEFORE THEY OFFICIALLY DECIDE ON THE TYPE OF REACTOR TO BE SELECTED IN FUTURE CEGB ORDERS. THE LIMITED SUPPORT FOR URENCON WOULD NOT EXPLAIN THE UNEXPECTED ORDERS TO THE USAEC FOR ENRICHING SERVICE FROM ENEL FOR TWO REACTORS INSTEAD OF ONLY ONE ANTICIPATED. THE ENEL ORDER IS FURTHER PUZZLING AS A EURATOMSUPPLY AGENCY SOURCE HAS INFORMED US THAT AGIP OF ITALY HAS RECENTLY EXERCISED AN OPTION TO CONTRACT FOR 1.2 MILLION SWU'S WITH THE USSR IN ADDITION TO THE 2.7 MILLION SWU'S ALREADY ORDERED.

7. THE LIMITED SUPPORT FOR URENCO WOULD ALSO NOT EXPLAIN THE NEW REQUIREMENTS FOR ENRICHMENT SERVICE FROM THE USAEC BY THE FRENCH. WE HAD ALREADY BEEN ADVISED THAT THE FRENCH SHARE OF EURODIF IS NOT SUFFICIENT TO COVER THE EDF REQUIREMENTS FOR THEIR AMBITIOUS NUCLEAR POWER PROGRAM WHICH NOW HAS A TARGET OF 50,000 MWE BY 1985. IT IS A LITTLE SURPRISING THAT THE FRENCH WOULD NOT ELECT TO PURCHASE MORE ENRICHMENT SERVICE FROM THE USSR ON A SHORT TERM BASIS, PENDING AVAILABILITY OF CAPACITY FROM EURODIF EITHER BY EXPANSION OR TRANSFER FROM ONE OF THE OTHER PARTNERS. FOR EXPAMPLE, ITALY'S 22 AND HALF PCT SHARE OF EURODIF, WHEN ADDED TO THE CONTRACTS WITH THE USAEC AND USSR, SEEMS BEYOND THEIR REQUIREMENTS DURING THE 1980-85 PERIOD. ONE POSSIBLE EXPLANATION IS THAT OFFERED BY OUR SAME EURATOM SUPPLY AGENCY SOURCE WHO STATED EUROPEAN UTILITIES RECENTLY CONCLUDED THAT A LARGER PERCENTAGE OF THEIR TOTAL DEMAND FOR ENRICHMENT SERVICE SHOULD NOT BE PLACED WITH THE USSR. NO SPECIFIC FIGURE FOR THE PRESENT PERCENT OF DEMAND FROM THE USSR WAS IDENTIFIED. GREENWALD

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